

Customs Act

However, by early 1960, shipping concepts, equipment and techniques had developed to the extent that 12 hour "turnarounds" became quite commonplace. With increasing volume of sea traffic reaching Canadian shores, detailed checks of every ship became hopelessly impractical for customs and economically impossible for shipping companies. So customs discontinued cargo examinations against inward reports about a decade ago and began to accept the master's report inwards and his declaration as a true description of the goods which had been taken on at foreign ports and would be landed in Canada on payment of the duty and taxes applicable.

Since then, an increasing number of discrepancies have come to light between the quantities of goods reported inwards and those later presented for customs entry, the latter almost invariably being fewer than the former. That is, goods appear on the ship's inward report as having been taken on at a foreign port but do not appear on the dock or in the warehouse in Canada. All goods reported inwards are presumed to be imported, and whether so-called "short-landed" items are irregularly delivered to the consignee or others, or they are simply pilfered, they must, by law, be taken into account for revenue purposes.

Mounting evidence reached the department that increasing quantities of goods for which short-landed certificates had been filed by shipping companies were somehow finding their way into local commerce. In the face of this, customs issued instructions that demanded payment of duty and taxes by transportation companies on vessel cargo shortages, citing master's reports inwards of goods landed in Canada as the basis of our claim. Many shipping companies have been repeatedly successful in resisting these demands for payment because, without conducting physical checks of ships' cargoes being unladen; customs is unable to prove the goods recorded in the master's report were actually landed in Canada, and because the master cannot be held legally accountable to customs for the contents of his report.

The position of customs in regard to demands for duty payment on shortages ex-vessel was clarified in June, 1971 in an Exchequer Court of Canada decision by Mr. Justice Dumoulin, that the Customs Act does not make the master of a ship responsible for his declaration of goods entering the country. This decision prompted officials of my department to conduct a coast to coast investigation into all aspects of the matter at major seaports, which revealed that section 11 of the Customs Act is clearly inadequate as a legislative instrument to deal with today's fast paced, high volume shipping transport methods.

The proposed amendment is consistent with well established controls over the inward movement of goods by air, rail and highway, which place full responsibility on the carrier for his shipments until they are delivered to the customs sufferance warehouse for later entry by the importer. As is the case with other modes of transport, it is proposed to require shipping companies to post performance bonds, equal to the average amount of duty and taxes paid on their shipments. This measure will not only ensure payment of outstanding duty and taxes on goods reported inwards, but will also enable the seagoing carriers to sail without delay.

[Mr. Stanbury.]

Most international vessel carriers disclaim any involvement with cargoes carried after they have been reported to have landed in Canada, and they do not follow tracing procedures beyond the point of landing. This makes calculating the amount of customs revenue lost through shortages impossible over any given period for several reasons. For example, it quite often happens that parts of a shipment are "overlanded"—that is, not removed from the vessel until it reaches another foreign port, from whence they may well be redirected back into Canada on payment of duty by another mode of transport.

However, our studies did reveal that in one of the six customs regions demands for duty and taxes on goods reported short amounted to nearly \$130,000 for the 1971-72 fiscal year, and outstanding claims in another region exceeded \$200,000. With the reintroduction of effective customs controls through the proposed amendment, we aim to wipe out or at least dramatically reduce these revenue losses.

All possible alternatives to the proposal before the House today have been exhaustively explored. We have concluded that there are only three other options open to customs. First, customs could simply accept without question the statements of the ships masters or agents. Second, the provisions of section 8 of the Customs Act could be exercised by insisting that vessels remain at anchor until all cargo is duty paid. Third, physical checks of every cargo could be reinstated, without regard to costs and consequences of the resulting delays. None of these would resolve satisfactorily the situation which I have described.

The amendment of the Customs Act which I am proposing is designed to discourage smuggling and pilferage, and to place the responsibility for the goods reported on the ship's manifest squarely upon the shoulders of the person making the declaration. It will restore to Canada Customs adequate means to carry out its responsibility, and restore to the Canadian people the duly collected revenue on which we depend for the benefit of all. For these reasons, I ask the House to approve this bill.

• (1220)

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, as the minister has clearly indicated, this bill is introduced as a housekeeping amendment to the Customs Act. I may say also that it applies to the Excise Tax Act, because there is a very quiet phrase in the bill which provides that any of the goods which may be subject to the responsibility of the ship's master under the Customs Act shall also be deemed to have been imported and shall be subject to the excise sales tax. Let us not just tuck that away without raising some questions.

I do not share the minister's enthusiasm for the necessity of making the master of a ship absolutely responsible. His escape from responsibility is very, very difficult. From an administrative point of view I cannot justify the absolute liability of the master of a ship. The minister's proposal contains the phrase "notwithstanding pilferage on the dock or in the warehouse". It does not specify a bonded warehouse or otherwise, and I point out that if goods are in a bonded warehouse and customs duties have not been paid they will not have entered the stream of commerce of this country. The master of a ship is to be held liable